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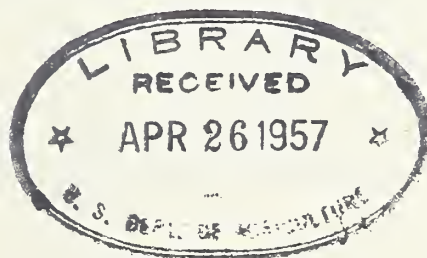
03

LOAN SERVICES OF THE FARMERS' HOME ADMINISTRATION

The objective of the Farmers
Home Administration is:

to enable farm families
to become soundly estab-
lished in successful,
well-balanced, systems
of farming.

R. B. McLeaish
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Administrator



2
U. S. Department of Agriculture
U. S. Farmers' Home Administration

50
WASHINGTON, D. C.
DECEMBER, 1955

This pamphlet was prepared for use in applicant meetings, and for agricultural workers, officials of agricultural lending institutions, and others interested in the loan services of the Farmers Home Administration.

GENERAL INFORMATION

1. Loans are made only to farmers unable to obtain adequate credit at reasonable rates and terms from private and cooperative lenders.
2. Borrowers are requested to refinance their loans with other lenders at the earliest possible date.
3. All loan applications must be approved by local county committees.
4. Funds for farm ownership and soil and water conservation loans may be provided by private lenders and fully insured by the Government.
5. Applications for all loans, insured or direct, are made at the local county offices of the Farmers Home Administration.
6. The Farmers Home Administration is authorized to make five different types of loans. These loans are briefly described on the following pages.

PRODUCTION AND SUBSISTENCE LOANS ARE USED TO OBTAIN
RESOURCES NEEDED TO BECOME SUCCESSFULLY ESTABLISHED IN FARMING

To Be Eligible An Applicant Must:

1. Be unable to obtain adequate credit from other sources at reasonable terms.
2. Be a citizen of the United States and of legal age.
3. Have good character.
4. Have the necessary experience or training and managerial ability to operate a family-type farm.
5. Own or rent adequate land resources to carry on successful family-type farming operations.
6. Plan for system of farming to provide adequate volume of production.
7. Indicate that he will endeavor honestly to carry out recommended farm management practices.

Loan Funds May Be Used To:

1. Purchase essential farm equipment and productive livestock.
2. Pay necessary farm operating and family living expenses.
3. Make minor real estate improvements.
4. Pay secured debts on livestock and farm equipment when necessary in connection with a loan for other purposes.

Farm Management Guidance Is Provided In:

1. Developing long time annual farm and home plans that provide for a sound system of farming.
2. Making needed adjustments in farming operations and completing farm improvements.
3. Adopting approved farm and home practices.
4. Keeping farm and home records.

5. Making wise use of income including orderly repayment of debts.
6. Making yearly analysis of farm and home business as a basis for further improving the farm and home business.

Loan Terms And Repayment Policies Are:

1. Interest rate is 5% on unpaid principal.
2. Single loans up to \$7,000 if total P&S debt will not exceed \$10,000.
3. Amount borrowed for operating expenses to be repaid from the year's income.
4. Amount borrowed for capital goods scheduled for repayment in annual installments not to exceed 7 years.
5. Amount and time of repayment determined by availability of income for debt payment.
6. No additional P&S loans may be made after 7 years continuous indebtedness.

Security Requirements Are:

1. A first lien on productive livestock and farm equipment purchased or refinanced.
2. The best lien obtainable on productive livestock and farm equipment owned.
3. A first lien on crops and assignments on some items of income.
4. A subordination agreement by landlord when needed.

FARM OWNERSHIP LOANS ARE USED TO ASSIST FARM FAMILIES
TO BECOME SUCCESSFULLY ESTABLISHED ON ADEQUATE FAMILY-TYPE FARMS

To Be Eligible An Applicant Must:

1. Be unable to obtain adequate credit from other sources at reasonable terms.

2. Be a citizen of the United States and of legal age.
3. Have good character.
4. Have the necessary experience or training and managerial ability to operate a family-type farm.
5. Unless a veteran, obtain or recently have obtained, a major portion of his income from farming operations.
6. Have resources of livestock, machinery, equipment, and operating capital to successfully operate the family-type farm or have available a source of credit for acquiring such resources.
7. Indicate that he will endeavor honestly to carry out recommended farm management practices.
8. Be, or plan to be, as a result of the loan, a full-time farmer.

Loan Funds May Be Used To:

1. Buy an adequate family-type farm or buy land to enlarge an undersized farm.
2. Provide necessary water, and water facilities.
3. Provide basic land and soil improvements.
4. Construct, repair, and improve buildings necessary for successful operation of a family-type farm.
5. Refinance debts on a farm owned by an applicant when such refinancing is not the primary purpose of the loan.
6. Pay authorized fees.

Farm Management Guidance Is Provided In:

1. Developing long time annual farm and home plans that provide for a sound system of farming.
2. Making needed adjustments in farming operations and completing farm improvements.
3. Adopting approved farm and home practices.
4. Keeping farm and home records.

5. Making wise use of income including orderly repayment of debts.
6. Making yearly analysis of farm and home business as a basis for further improving the farm and home business.

Loan Terms And Repayment Policies Are:

1. On insured loans, $3\frac{1}{2}$ percent interest and 1 percent loan insurance charge on the unpaid principal.
2. On direct loans, $4\frac{1}{2}$ percent interest on the unpaid principal.
3. Payments are due on January 1 each year. Borrowers are encouraged to build reserve by paying ahead of schedule.
4. All loans are for 40 years except that building improvement loans may be made for shorter periods.

Special Requirements Are:

1. Loans are made only on family-type farms personally operated by the owner on a full-time basis.
2. Loans cannot exceed the county average value of efficient family-type farms.
3. Loans cannot exceed the value of the farm established by the FHA county committee based on an earning capacity appraisal report.
4. Insured loans are limited to either 90 percent of the county committee's valuation of the farm, or 90 percent of the total cost of acquiring the farm, whichever is less.

Security Requirements Are:

1. A first real estate mortgage only for an insured loan.
2. A first or second real estate mortgage for a direct loan.
3. Buildings insured against loss by fire or other casualties.

4. Real estate taxes must be paid.

SOIL AND WATER CONSERVATION LOANS ARE MADE TO
IMPROVE, PROTECT, AND MAKE BETTER USE OF FARM LAND

To Be Eligible An Applicant Must:

1. Be unable to obtain adequate credit from other sources at reasonable terms.
2. Be a citizen of the United States and of legal age.
3. Have good character.
4. Be an owner or operator of a farm.
5. Have farming operations comparable to those of persons primarily engaged in farming.
6. Nonprofit organizations, such as incorporated water users' associations are eligible for a loan when they are unable to obtain adequate credit elsewhere and meet certain other conditions.

Loan Funds May Be Used To:

1. Carry out approved soil conservation practices.
2. Develop irrigation systems.
3. Develop farmstead water supply systems.
4. Develop drainage systems.
5. Pay authorized fees.

Loan Terms And Repayment Policies Are:

1. For insured loans, $3\frac{1}{2}$ percent interest and 1 percent mortgage insurance charge on the unpaid principal balance.
2. For direct loans, $4\frac{1}{2}$ percent interest on the unpaid principal balance.

3. Loans are repayable in 1 to 20 years, depending on ability to pay and security given.
4. Repayments are scheduled in equal annual installments except that, when necessary, the first or first two installments may be scheduled for interest only.
5. Loans to an individual cannot exceed \$25,000.

Special Requirements Are:

1. Loans are made only when the use and disposal of water comply with Federal, state, and local laws and regulations.
2. Supervisory assistance is given to the extent necessary to assure repayment of the loan, establishment of the improvement or facility, and maintenance of the security property.
3. Practices financed only when in accordance with Extension Service and Soil Conservation Service recommendations.
4. Each applicant is responsible for obtaining plans, specifications, and cost estimate for the planned improvement or facility.
5. When real estate is taken as security, property insurance will be required.

Security Requirements Are:

1. A short-term loan is secured by either a real estate mortgage, chattel mortgage, or both.
2. A long-term loan is secured by a real estate mortgage.

SPECIAL LIVESTOCK LOANS ARE USED TO PROVIDE EMERGENCY CREDIT TO ESTABLISHED PRODUCERS OF CATTLE, SHEEP, AND GOATS

To Be Eligible An Applicant Must:

1. Be an established producer of cattle, sheep, or goats.
2. Be unable temporarily to obtain needed credit from banks or other responsible sources.

3. Have good character.
4. Have a good past record of livestock operations.
5. Have the resources, experience, and managerial ability deemed necessary for the success of the operation.
6. Have reasonable prospects of repayment and return to private credit.

Loan Funds May Be Used To:

1. Purchase or produce feed for livestock owned.
2. Pay essential operating expenses, including labor and living costs.
3. Purchase livestock for replacement or restocking.
4. Pay grazing fees and rent for pasture and land on which feed is produced.
5. Hire, repair and replace farm or ranch equipment and machinery.
6. Build or repair fences.
7. Pay costs of transportation of livestock, including to and from grazing lands.
8. Repair or improve water supplies necessary to the livestock operation.
9. Pay cost of normal maintenance of farm and ranch buildings.

Loans May Not Be Made To:

1. Refinance existing debts.
2. Produce cash crops.
3. Finance a commercial feed lot operation.
4. Enable a borrower to expand substantially his normal operations.

Loan Terms And Repayment Policies Are:

1. Interest rate is 5 percent on the unpaid principal.

2. Loans for annual operating expenses to be repaid from year's income.
3. Loans for livestock purchases to be repaid over longer period but not to exceed 3 years.

Security Requirements Are:

1. Loans to corporations or other business organizations will be secured by the personal obligation of each person owing 10 percent or more of stock.
2. The best lien obtainable on all livestock and equipment owned when the loan was made.
3. A first lien on livestock and equipment purchased with loan funds.
4. The best lien obtainable on all crops.
5. When necessary, the best lien obtainable on all real estate.
6. Nondisturbance agreements from all creditors.
7. Agreement for division of income when livestock is subject to a prior lien.

EMERGENCY LOANS ARE USED TO ASSIST FARMERS IN EMERGENCY AREAS
TO CONTINUE FARMING

To Be Eligible An Applicant Must:

1. Be an established farmer in a designated emergency area.
2. Be engaged primarily in farming or livestock production.
3. Be unable temporarily to obtain needed credit from banks or other responsible sources.
4. Have good character.

5. Have the resources, experience, and managerial ability deemed necessary for the success of the operation.
6. If applying for a production emergency loan, have suffered substantial loss due to the emergency.
7. Have reasonable prospects of repayment and return to private credit.

Loan Funds May Be Used In Designated Areas To:

1. Purchase feed, fuel, seed, fertilizer, and farm and home supplies.
2. Replace livestock lost in the disaster.
3. Replace or repair farm and home equipment.
4. Replace or repair buildings, fences, drainage or irrigation systems damaged as a result of the emergency.
5. Level land and remove debris resulting from the emergency.
6. Pay current taxes on real property when necessary.
7. Pay water charges necessary to the operation.
8. Make minor repairs or improvements to farm water supplies.
9. Pay labor, machinery hire and other essential expenses.

Loans May Not Be Made To:

1. Refinance existing debts.
2. Pay cash rent.
3. Enable borrower to expand his normal operations.

Loan Terms And Repayment Plans Are:

1. Interest rate 3 percent on unpaid principal.
2. Loans for production of crops repaid as crops are sold.
3. Loans for feed repaid as livestock or livestock products are sold.

4. Loans for replacement of equipment, building repairs, or similar purposes, may be scheduled over a longer period.

Security Requirements Are:

1. A first lien on crops produced with loan funds.
2. A first lien on livestock and equipment purchased with loan funds.
3. The best lien obtainable on all other crops.
4. When necessary, the best lien obtainable on livestock and equipment owned when loan was made.
5. When necessary, the best lien obtainable on real estate.
6. Agreement for division of income when livestock is subject to a prior lien.

